

Message Text

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ACTION L-02

INFO OCT-01 EA-06 ISO-00 AID-05 PM-03 NSC-05 SP-02 SS-15

RSC-01 H-01 CIAE-00 INR-05 NSAE-00 DODE-00 IGA-01

TRSE-00 NIC-01 /048 W

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 1535

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 8530

E.O. 11652: GDS

TAGS: EAID, LA

SUBJECT: COMMUNIST AID TO LAOS: U.S. FACILITATIVE ASSISTANCE

REF: (A) STATE 238974

(B) AID MANUAL ORDER 1018.9

1. WE GREATLY APPRECIATE THE READINESS OF STATE/AID/DOD TO MOVE FORWARD EXPEDITIOUSLY TO SEEK THE NECESSARY APPROVALS FOR FACILITATIVE ASSISTANCE TO THE PGNU. WE HAVE DELAYED OUR RESPONSE TO REF A SOMEWHAT IN ORDER TO ANALYZE THE STATUTORY, POLICY AND PROCEDURAL DOCUMENTS AS THEY MIGHT APPLY TO THE SPECIFIC SITUATION HERE IN LAOS.

2. OUR OVERALL CONCLUSIONS BASED ON OUR ANALYSIS OF THE APPLICABLE DOCUMENTS ARE:

A. THAT U.S. ASSISTANCE POLICIES AND PROCEDURES APPLICABLE TO COUNTRIES RECEIVING COMMUNIST BLOC AID WERE CONCEIVED AND PROMULGATED IN THE EARLY 1960S, CERTAINLY BEFORE THE OVERALL U.S. POLICY OF "DETENTE" WITH COMMUNIST COUNTRIES WAS ESTABLISHED;

B. THAT IN 1964 (THE DATE OF ISSUANCE OF REF B) THOSE WHO FRAMED THE POLICY STATEMENTS DID NOT CONCEIVE OF AND THEREFORE TRY TO DEAL WITH A SITUATION, SUCH AS THAT EXISTING TODAY IN LAOS, WHEREIN USG POLICY RECOGNIZES AND SUPPORTS A COALITION GOVERNMENT.

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C. THAT THE POLICY AND PROCEDURES, AS DESCRIBED IN REF B,

APPLY TO THE PRESENT SITUATION IN LAOS ONLY IN THE BROADEST SENSE, ESSENTIALLY OF ADVANTAGE OR DISADVANTAGE TO U.S. INTERESTS, BUT NOT IN THE DESCRIPTION OF THE SITUATION.

3. THEREFORE, BEFORE ANSWERING THE SPECIFIC QUESTIONS POSED IN REF A, THE FOLLOWING IS PRESENTED AS INTERPRETATION OF THE POLICY AND PROCEDURES DESCRIBED IN REF B AS THEY APPLY TO THE CURRENT SPECIFIC SITUATION IN LAOS;

A. SPECIFIC CASE:

REF B DEALS ESSENTIALLY WITH SITUATIONS WHEREIN DISTINCT BLOC PROJECTS ARE ASSISTED BY INPUTS FROM U.S. ASSISTANCE, I.E., BLOC PROJECTS WOULD BE ENHANCED IN THEIR SIGNIFICANCE AND EFFECTIVENESS TO THE ADVANTAGE OF THE BLOC COUNTRY ASSISTING THE PROJECT AND TO THE DISADVANTAGE OF OVERALL U.S. INTEREST IN THE COUNTRY. THE REFERENCED M.O. IS VERY PRECISE IN DEFINING "BLOC PROJECTS", BUT DOES NOT DESCRIBE A SITUATION, SUCH AS THE PRESENT CASE, WHERE BLOC ASSISTANCE IS IN THE FORM OF COMMODITIES -- NON-PROJECT ASSISTANCE. THE IDENTITY OF SOME OF THESE COMMODITIES (THOSE THAT ARE PACKAGED WITH TRADEMARKS, ETC.) WILL EXIST, OF COURSE, BUT THE MAJORITY OF THE COMMODITIES PROVIDED, IT IS EXPECTED, WILL BE SPREAD THROUGHOUT THE ECONOMY AND SERVE TO ASSIST LAOS GENERALLY IN ITS NEED FOR IMPORTED ITEMS. THE PROPOSED ASSISTANCE FROM THE U.S. IS SIMPLY TO HELP THE PGNU ESTABLISH OR UPGRADE FACILITIES AND TRAIN SOME OF ITS EMPLOYEES IN ORDER THAT IT CAN TAKE CARE OF THE RECEIPT, HANDLING AND DISTRIBUTION OF BLOC COMMODITY ASSISTANCE.

B. GENERAL POLICY

WOULD U.S. ASSISTANCE BE INIMICAL OR ADVANTAGEOUS TO U.S. INTERESTS? WOULD OUR FACILITATIVE ASSISTANCE YIELD A NET ADVANTAGE TO THE U.S.? THE ANSWER TO THESE QUESTIONS IN THE CURRENT SITUATION MUST BE THAT FACILITATIVE ASSISTANCE FROM US WOULD BE, WITHOUT ANY DOUBT, TO THE ADVANTAGE OF THE U.S. THERE ARE TWO BASIC REASONS FOR THIS CONCLUSION: (1) IF HANDLED PROPERLY AND EFFICIENTLY BY THE PGNU, BLOC COMMODITY AID WOULD REDUCE THE BUDGETARY BURDEN OF THE PGNU AND IN TURN REDUCE THE STABILIZATION ASSISTANCE BURDEN

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OF THE U.S. AND OTHER FEOF DONORS. IF THE PGNU IS NOT ABLE TO HANDLE THE RECEIPT AND MANAGEMENT OF COMMODITIES PLEDGED TO IT BY BLOC COUNTRIES, THESE COUNTRIES MAY REDUCE THE AMOUNTS, DELAY DELIVERIES CONSIDERABLY, OR PERHAPS INDEFINITELY. THIS LATTER SITUATION WOULD NEGATE THE POTENTIAL ADVANTAGES TO THE U.S. CITED ABOVE. (2) FROM THE POINT OF VIEW OF U.S. POLICY TOWARD THE PGNU COALITION GOVERNMENT, TO REFUSE

TO ASSIST THE PGNU IN FACILITATING ITS RECEIPT OF
COMMODITY ASSISTANCE FROM BLOC COUNTRIES WOULD BE
INCONSISTENT WITH U.S. POLICY TO SUPPORT AND HELP
ENSURE THE VIABILITY OF THE COALITION GOVERNMENT.
SUCH A REFUSAL, PARTICULARLY AT THIS JUNCTURE, WOULD
RAISE A QUESTION IN THE MINDS OF THE PATHET LAO MEMBERS
OF THE PGNU AS TO THE SINCERITY OF THE U.S. GOVERNMENT
IN ITS PROFESSED SUPPORT OF THE COALITION. IT WOULD
UNDOUBTEDLY GIVE THE IMPRESSION TO THE PATHET LAO
CAMP THAT THE U.S. GOVERNMENT WILL NOT ACT EVEN-
HANDEDLY TOWARD ALL ELEMENTS OF THE PGNU BUT
RATHER IS FAVORING THE VIENTIANE SIDE.

C. SECTION III, M.O. 1018.9: APPLICATION TO THE LAOS CASE
OF SPECIFIC EXCEPTION QUESTIONS:

(1) "OPPORTUNITIES FOR ADVANCING THE INTEREST OF THE
UNITED STATES THROUGH EXCEPTIONAL ACTION" -- AS STATED
ABOVE (PARA 3B) U.S. FACILITATIVE ASSISTANCE WOULD AT THIS
SPECIFIC TIME ADVANCE U.S. INTEREST (A) BY AFFIRMING ITS
BASIC AND STATED POLICY TO ASSIST THE PGNU, NOT JUST
ONE SIDE OF THE PGNU, AND (B) BY PROVIDING THE LAO WITH
THE CAPABILITY OF RECEIPT AND HANDLING OF NEEDED
COMMODITY ASSISTANCE THAT COULD BE SIGNIFICANT TO THE
LAOS ECONOMY AND POSSIBLY REDUCE THE STABILIZATION
BURDEN BEING BORNE, FOR THE MOST PART, BY EXTERNAL
DONORS, INCLUDING THE UNITED STATES.

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ACTION L-02

INFO OCT-01 EA-06 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 1536

C O N F I D E N T I A L SECTION 2 OF 2 VIENTIANE 8530

(2) "THE DEGREE OF COMMUNIST BLOC OR UNITED STATES

IDENTIFICATION WITH THE PROJECT"--VIS-A-VIS U.S. IDENTIFICATION WITH THE "PROJECT", ANY LOGISTICS FACILITIES CREATED OR IMPROVED WITH U.S. ASSISTANCE WOULD BE IDENTIFIED SOLELY WITH U.S. ASSISTANCE TO LAOS. THE COMMODITIES MOVING THROUGH SUCH FACILITIES WOULD BE IDENTIFIED, OF COURSE, WITH THE COMMUNIST DONOR COUNTRIES, SOME OF WHICH (I.E., NON-PACKAGED FOOD COMMODITIES) WOULD TEND TO LOSE THEIR IDENTIFICATION AS THEY ARE DISTRIBUTED THROUGHOUT THE COUNTRY.

(3) "LIKELY CONSEQUENCES OF ENFORCEMENT AND OF WAIVER" OF PROHIBITION AGAINST U.S. ASSISTANCE ASSOCIATED WITH BLOC ASSISTANCE--SEE PARA 3.B. ABOVE.

(4) "POLITICAL RELATIONS BEARING UPON THE ISSUE"--AGAIN SEE PARA 3.B. ABOVE. IN ESSENCE, TO REFUSE FACILITATIVE ASSISTANCE, IF ASKED BY THE PGNU, WOULD BE DETRIMENTAL TO CURRENT U.S. MISSION RELATIONS WITH THE PGNU WHICH HAVE BEEN DEVELOPED PAINSTAKINGLY OVER THE PAST 6-1/2 MONTHS.

(5) "PROPOSED MEANS OF ASSURING FAVORABLE CONSEQUENCES OF A WAIVER"--ASIDE FROM THE GENERAL ARGUMENT THAT TO REFUSE SUCH ASSISTANCE WOULD BE DETRIMENTAL TO U.S. PGNU RELATIONS, THE PROFFERING OF FACILITATIVE ASSISTANCE WILL HELP PROVIDE THE U.S. SOME LEVERAGE IN NEGOTIATIONS WITH THE PGNU ON THE STABILIZATION PROGRAM TO ENSURE THAT THE BLOC COUNTRY ASSISTANCE WILL BE USED IN SUCH CONFIDENTIAL

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A MANNER AS TO REDUCE BUDGETARY AND FOREIGN DONOR STABILIZATION REQUIREMENTS AS WELL AS PROMOTE, WHEREVER POSSIBLE, DEVELOPMENT.

4. THE FOLLOWING ARE ANSWERS TO THE SPECIFIC QUESTIONS POSED IN REF A.

A. RE PARA 1.A. ANY ASSISTANCE AGFEED TO WILL BE FUNDED UNDER EXISTING PROJECTS.

B. RE PARA B. (2) IF THE PGNU MAKES SPECIFIC REQUEST FOR USE OF SPECIFIC ITEMS PREVIOUSLY TRANSFERRED TO FAR, AND WE DEEM IT AN APPROPRIATE USE OF SUCH ITEMS, WE WILL MAKE A SPECIFIC RECOMMENDATION TO WASHINGTON AGENCIES FOR A ONE-TIME AUTHORIZATION FOR A RELATIVELY SMALL NUMBER OF SPECIFIC ITEMS. WE RECOGNIZE REQUIREMENT TO DEAL WITH THIS ON CASE-BY-CASE BASIS AND CANCEL OUR REQUEST (VIENTIANE 7775, PARA 8.C) FOR BLANKET AUTHORITY.

C. RE PARA 3, FOR REASONS OUTLINED ABOVE, AND WITH REFERENCE TO SECTION 620(H) OF FAA, WE CONSIDER THAT ASSISTANCE WE MIGHT PROVIDE TO THE PGNU WOULD BE IN FURTHERANCE OF THE BEST INTERESTS OF THE U.S. THE TYPES OF COMMUNIST-PROVIDED COMMODITIES THE PGNU IS REQUESTING ARE LISTED IN TOAID A-440, DATED OCTOBER 30, 1974. RECIPIENTS OF THESE COMMODITIES HAVE

NOT BEEN DETERMINED BY THE PGNU IN ANY SPECIFICITY.
TO DATE, RATHER GENERALIZED DISCUSSIONS WITH PGNU
OFFICIALS INDICATE THAT SOME COMMODITIES MAY BE USED
BY VARIOUS AGENCIES OF THE LAO GOVERNMENT (E.G., CEMENT
BY MINISTRY OF PUBLIC WORKS), AND OTHER COMMODITIES
(FOODSTUFFS, COTTON CLOTH, ETC.) MAY BE SOLD IN THE
MARKET. IT IS ALSO POSSIBLE THAT MEDICINES AND FOOD-
STUFFS (PARTICULARLY RICE) MAY BE USED FOR SOCIAL
WELFARE (HUMANITARIAN) PURPOSES.

REF TECHNICAL ASSISTANCE, WE CANNOT ELABORATE
BEYOND EARLIER STATEMENTS, I.E., ASSISTANCE IN PLANNING
LOGISTICS MANAGEMENT OF COMMODITIES, TRAINING IN WARE-
HOUSE MANAGEMENT AND FACILITIES AND EQUIPMENT
MAINTENANCE, AND ADVICE--PARTICULARLY TO THE MINISTRY
OF FINANCE--ON ACCOUNTING FOR COMMUNIST-PROVIDED
COMMODITIES IN THE NATIONAL BUDGET AND APPLICATION OT
THE STABILIZATION PROGRAM.

D. RE PARA 4, THE ANSWER IS YES.

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